



No. FI202408-01

13 Aug 2024

Subject: Management's Discussion and Analysis (MD&A) for 2Q2024

To: President of the Stock Exchange of Thailand

Sappe Public Company Limited (the "Company") would like to clarify the operating results for the quarter ended June 30, 2024, with the following details.

(Unit: Thousand Baht)

Profit & Loss statement	Q2/2024	%	Q2/2023	%	Q1/2024	%	YoY%	QoQ%	1H/2024	%	1H/2023	%	YoY%
Total Revenue	2,072,336	103.8%	1,692,756	102.2%	1,904,077	103.7%	22.4%	8.8%	3,967,034	103.5%	3,248,340	102.2%	22.1%
Revenue from selling goods	1,996,257	100.0%	1,656,920	100.0%	1,836,004	100.0%	20.5%	8.7%	3,832,261	100.0%	3,177,172	100.0%	20.6%
Net gain from foreign exchange	11,901	0.6%	-	0.0%	-	0.0%	100.0%	100.0%	2,521	0.1%	768	0.0%	228.1%
Others income	64,178	3.2%	35,836	2.2%	68,073	3.7%	79.1%	-5.7%	132,251	3.5%	70,400	2.2%	87.9%
Cost of goods sold	1,056,431	52.9%	919,776	55.5%	990,642	54.0%	14.9%	6.6%	2,047,072	53.4%	1,783,613	56.1%	14.8%
Gross profit	939,827	47.1%	737,144	44.5%	845,362	46.0%	27.5%	11.2%	1,785,189	46.6%	1,393,559	43.9%	28.1%
SG&A	498,925	25.0%	366,580	22.1%	468,074	25.5%	36.1%	6.6%	957,619	25.0%	706,608	22.2%	35.5%
Selling expenses	354,948	17.8%	215,678	13.0%	341,946	18.6%	64.6%	3.8%	696,894	18.2%	466,833	14.7%	49.3%
Administrative expenses	143,976	7.2%	136,458	8.2%	116,749	6.4%	5.5%	23.3%	260,725	6.8%	239,775	7.5%	8.7%
Net loss from foreign exchange	-	0.0%	14,444	0.9%	9,380	0.5%	n.a.	n.a.	-	0.0%	-	0.0%	n.a.
EBIT	516,981	25.9%	406,400	24.5%	445,361	24.3%	27.2%	16.1%	962,342	25.1%	758,118	23.9%	26.9%
Finance costs	(529)	0.0%	(639)	0.0%	(565)	0.0%	n.a.	n.a.	(1,095)	0.0%	(1,344)	0.0%	n.a.
Reversal of impairment loss (TFRS 9)	(254)	0.0%	(2,489)	-0.2%	(1,028)	-0.1%	n.a.	n.a.	(1,282)	0.0%	(22,634)	-0.7%	n.a.
Loss on disposal of investment in subsidiary	-	0.0%	-	0.0%	(2,548)	-0.1%	n.a.	n.a.	(2,548)	-0.1%	-	0.0%	n.a.
Share of profit (loss) of associates and joint venture	(553)	0.0%	(11,418)	-0.7%	2,396	0.1%	n.a.	n.a.	1,843	0.0%	(11,923)	-0.4%	n.a.
EBT	515,645	25.8%	391,854	23.6%	443,616	24.2%	31.6%	16.2%	959,261	25.0%	722,217	22.7%	32.8%
Income tax expense	104,360	5.2%	81,123	4.9%	89,602	4.9%	28.6%	16.5%	193,961	5.1%	148,515	4.7%	30.6%
Net profit(loss)	411,286	20.6%	310,731	18.8%	354,014	19.3%	32.4%	16.2%	765,300	20.0%	573,702	18.1%	33.4%
Net profit(loss) of Parent Company	410,758	20.6%	312,272	18.8%	352,347	19.2%	31.5%	16.6%	763,105	19.9%	587,063	18.5%	30.0%



Overall

In Q2/2024, Sappe Public Company Limited achieved its highest consolidated total revenue from selling goods, amounting to Baht 1,996.2 million. This figure represents a significant increase of 20.5% compared to the same period last year, marking a notable milestone since the company's inception. The remarkable growth can be attributed to the company's strategic expansion of distribution channels in key and export markets spanning Asia, Europe, the Middle East, North America, and Thailand.

The cost of goods sold as a percentage of revenue decreased by 2.6 pts. to 52.9% owing to the positive impact of THB depreciation and internal improvements in factory production performance. These factors contributed significantly to the improvement in %COGS.

The selling expenses and administrative expenses (excluding net gain/loss from foreign exchange) reached Baht 498.9 million, marking a substantial increase of 41.7% compared to the same period last year when they stood at Baht 352.1 million. This increase resulted from the container shortage situation leading to higher logistic costs for the export market. However, this additional cost were recoverable from customers and the company recorded such transactions as other income. The increase was also fueled by intensified selling and marketing endeavors aimed at bolstering the expansion of domestic and export sales.

The net profit of the parent company for Q2/2024 amounted to Baht 410.7 million, marking a notable increase of 31.5% compared to the same period last year, which stood at Baht 312.3 million.

Revenue from Selling Goods

In Q2 2024, the company achieved record-breaking revenue from selling goods, totaling Baht 1,996.2 million. This figure represents the highest quarterly revenue since the establishment of the company and signifies a remarkable increase of 20.5% compared to the same period last year. The surge in revenue was propelled by growth in both international and domestic markets.

International sales soared to Baht 1,658 million, marking a substantial 20.7% YoY increase. This growth was fueled by the expansion of sales channels, through National Modern Trade outlets and sales and marketing activities during the High Season.

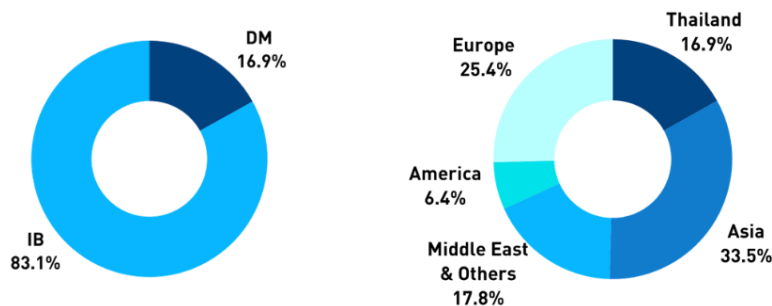


The company's best-selling products, Mogu Mogu, fruit juices with chewy Nata de Coco chunks and Sappe Aloe Vera, fruit juices with chewy Aloe Vera chunks, have been exported to over 100 countries worldwide, resulting in significant sales growth in Europe, America, Middle East and Asia at +42.3%, +31.9%, +17.8%, and 7.9% respectively, compared to the same period of last year.

The company foresees the growth from the increase in demand of both existing consumers through marketing campaigns and new consumers through channel expansion.

Domestic sales also demonstrated a positive trend, reaching Baht 338 million, which represented a 19.5% YoY increase, driven by the popularity of flagship products in the domestic market. Notably, the Sappe Beauti brand, our powdered collagen product, Sappe Beauti Powder Stix, Both Vitamin C Strawberry and L-Gluta Mixed Berry formulas has shown robust sales in the Traditional Trade channel and e-Commerce due to its competitive pricing and the absence of direct competitors in this market segment. Furthermore, our vitamin-infused water brand, Blue (B'lue), The company launches two new flavors: Stay Cool but Broken Inside and Madly in Love continues to enjoy strong popularity In Modern Trade channels. This year, the company plans to launch new products more than 20 SKUs and expects growth in sales.

Revenue from sale of goods in Q2/2024



Cost of Goods Sold

In Q2/2024, the cost of goods sold (COGS) to total revenue from selling goods was 52.9%, marking a decrease of 2.6 pts. compared to the same period of last year. This improvement was attributed to the Company's enhanced internal



management, particularly in terms of production efficiency. Additionally, the Company benefited from depreciation of THB as well as more efficient management of machinery and human resources.

In response to the recent substantial increase in international sales, the Company expanded its production capacity. A new beverage production line was installed, and the Company began delivering products to consumers starting in Q2/2024.

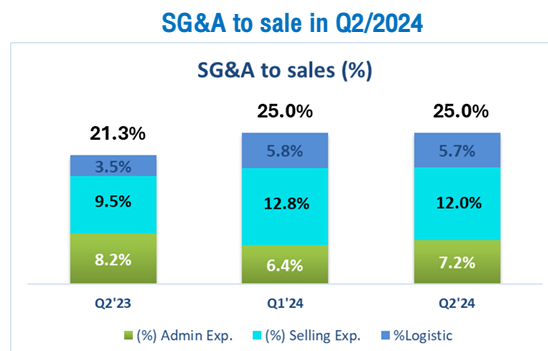
Additionally, to support sales growth in 2025, the Company is in the process of purchasing new machinery and commencing construction of a new factory. The expansion project is progressing as planned, with commercialization expected to begin in Q1/2025

Selling Expenses

Selling expenses as a percentage of revenue were reported at 17.8%, an increase of 4.8 pts. compared to the same period last year. This rise was primarily due to the container shortage, which led to higher logistics costs in the export market. However, these additional costs were recoverable from customers and were recorded as other income by the company. The increase also reflects heightened marketing investments in both domestic and international markets, aimed at boosting brand awareness, consumer engagement, and expanding the customer base while fostering brand loyalty. Despite the rise, the percentage of selling expenses to total sales for the full year remained within budget and has been carefully managed.

Administrative Expenses

The Company's administrative expenses for the quarter amounted to Baht 143.9 million, representing 7.2% of sales revenue, declining from the same quarter last year at 8.2% as sales growth outweighed the increase in administrative expenses.





Share of Profit (Loss) of Associates and Joint Venture.

The Company incurred a total loss of Baht 0.5 million from its associates and joint ventures. This loss stemmed from loss realization in WOPE Co., Ltd. (60% shareholding) amounting to Baht 1.5 million and gain realization in M Intelligence Co., Ltd. (16.2% shareholding), amounting to Baht 0.5 million, Danone-Sappe Beverages Co., Ltd. (25% shareholding) amounting to Baht 0.4 million.

Net Profit (Loss) – Parent Company

The company reported a net profit – parent company in Q2/2024 at Baht 410.7 million, equivalent to 20.6% of the revenue. This marks the highest profit since the establishment of the company and reflects a significant increase of 31.5% compared with the last year at Baht 312.3 million.

Sincerely Yours,

Sappe Public Company Limited

Ms. Piyajit Ruckariyapong

Chief Executive Officer